

HB 794 -- TAXATION

SPONSOR: McCreery

This bill changes the laws regarding taxation. In its main provisions, the bill:

(1) Adopts the Internal Revenue Code as it was written January 1, 2004; decouples Missouri's income tax from the federal income tax code; and requires the Director of the Department of Revenue to submit a report within 60 days of the adoption of an amendment to the Internal Revenue Code of 1986 to the Governor, Speaker of the House of Representatives, and President Pro Tem of the Senate regarding the changes of the federal code and the impact of those changes on state revenues and the various classes and types of taxpayers (Section 143.091, RSMo);

(2) Reinstates the decoupling from the federal accelerated depreciation and makes it permanent (Section 143.121);

(3) Repeals the provisions regarding the timely filing discount for an employer who withholds his or her employees' income taxes (Sections 143.225 and 143.261);

(4) Changes the way losses and operating expenses are deducted among parties for various types of property, including intellectual property. Minimum standards are established regarding what connections among various corporate entities constitute related parties and affiliated groups for multi-state corporate income tax purposes. The total amount of profit of a unitary group must be aggregated and then divided among the members of the group. This allocation must be based upon the relative incomes of the members without regard to intra-group transfers of these certain targeted operating expenses, commonly known as Geoffrey scenario. The effect will be to eliminate income classified by the courts as non-Missouri source income (Sections 143.431 and 143.434);

(5) Repeals the provisions regarding the filing of single factor apportionment for multi-state income tax calculations (Sections 143.451 and 143.461);

(6) Defines "common carriers" as persons that receive more than 50% of their annual revenues from fees charged to carry passengers or goods for unrelated persons as it relates to qualifying for a state and local sales and use tax exemption (Sections 144.010 and 144.030); and

(7) Prohibits a retailer from obtaining refunds of sales and use taxes without crediting the original purchasers. In the case of

over-collections of less than \$1,000, the over-collections may be refunded without the burden of returning the funds to the purchaser. The \$1,000 threshold is an aggregate sum over a five-year period. A retailer may, upon submission of an approved plan by the Director of the Department of Revenue, offer fixed value coupons to customers to satisfy the distribution of the over-collections (Section 144.190).

The bill becomes effective September 1, 2015.